

## **Government Debt**

- Before the revolution, the French debt had rapidly increased. Extravagant expenditures on luxuries by Louis XVI (16), whose rule began in 1774, were compounded by debts that were run up during the reign of his predecessor in losing the Seven Years' War (1756–1763),
- When Louis XVI (16) became king, he attempted radical financial reforms that would tax all of the estates. This angered the nobles and was blocked by the parliaments who insisted that the king did not have the legal right to levy new taxes.
- France supported the American Revolution. They sent large land and naval forces to help the Americans. Unfortunately, France gained very little from the deal.
  - The war aid cost France a very large sum that was financed by new loans at high interest rates but no new taxes were imposed. The minister, Jacques Necker, hid the crisis from the public by explaining only that ordinary revenues exceeded ordinary expenses, and by not mentioning the loans at all.
- Charles Alexandre de Calonne replaced Jacques Necker in 1783, when his tax policies failed miserably. Calonne increased public spending in an attempt to “but” the country's way out of debt. This policy also failed.
- Although King Louis XVI held the reins of power, he was very dependent on the nobles and advisors. Prior to the French Revolution, these people had a great deal of economic power and influenced the financial problems that were growing worse.
  - The noble officials ran small provinces. They had the power to collect taxes, enforce the laws set forth, make loans and collect interest. This led to corruption.
- King Louis and Marie Antoinette spent large amounts of money on extravagant spending. Their palace of Versailles was decorated with every expensive luxury available. They wore nothing but the most expensive.
  - Marie Antoinette was known for her excessive hairstyles, even wearing a bird cage atop her head.
- Because the nobles successfully defended their privileges by refusing the proposed tax laws, the king of France was forced to call the Estates General into session in 1788.
- The financial strain of servicing old debt and the excesses of the current royal court caused dissatisfaction with the monarchy, contributed to national unrest, and culminated in the French Revolution of 1789.